Planning by	Reviewed	Performed by	Final review

Client details
Client name: LEKWA TEEMANE LOCAL MUNICIPALITY
Year end: 30 June 2011

File details
Ver No: 2011.10.01
File name: LEKW2011
Doc name: LEKW2011FSNG0000ZAFS.cvw
File path C:\USERS\PD\DESKTOP\BACKUP OF LEKW2011 (16-05-2012 21-15-13)\
Last update: 32
Builder mode has been entered

Balance Check

			Controlling entity	
			2011	2010
	Statement of financial position balances			
	Cashflow Statement balances			
	Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	10,780,269	4
	Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year	Diff	(24,325,358)	6,919,441

Print details
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LEKWA TEEMANE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Councillors	
Mayor	Clr. R. M, Makodi (Retained)
Councillors	Clr. M. Majikela (18 May 2011)
	Clr. A. Buys (Retained)
	Clr. T. Mokgosi (18 May 2011)
	Clr. K. Palagangwe (18 May 2011)
	Clr. Segola (18 May 2011)
	Clr. P. Modise (18 May 2011)
	Clr.Ngezi (18 May 2011)
	Clr. Moolla (Deceased - June 2011)
	Clr. Molete (18 May 2011)
	Clr. Joseph (18 May 2011)
	Clr. Mabala (Retained)
	Clr. Muller (Retained)
	Clr. Pencil (Retained)
	Clr. Segalo (up to 17 May 2011)
	Clr. P. Letebele (up to 17 May 2011)
	Clr. Duiker (up to 17 May 2011)
	Clr. Bojong (up to 17 May 2011)
	Clr. Du Plooy/Bhut Percival (up to 17 May 2011)
	Clr. Modise (up to 17 May 2011)
Grading of local authority	Grade 5
Accounting Officer	Mr. M. A. Makuapane
Acting Chief Finance Officer (CFO)	Mr. J. Rickert
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P. O. Box 13 Christiana 2680
Bankers	Absa Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	De Klerk and Patners Mathews and Partners

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The reports and statements set out below comprise the annual financial statements presented to the Lekwa-Teemane Local Municipality's Council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
FMG	Finance Management Grant
MSIG	Municipcal System Improvement Grant
CoGTA	Department of Co-operative Governance & Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on five services that generate revenue namely rates, water, electricity, refuse and sanitation. It also gets equitable share from the government, which constitutes about 20% of its total income. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality's operations.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their will be presented based on their review.

The annual financial statements set out on pages 8 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 22 February 2012.

Mr. M. A. Makuapane
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2011.

Audit committee members and attendance

The shared audit committee (at the district level) consists of seven members and should meet on a regular basis as per its approved terms of reference.

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements (as appropriately adopted by muncipality), Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in-year-management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act is satisfactory.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management’s response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

We met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ____________________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Finance Management Act no.56 of 2003 and Municipal Systems Act No.32 of 2000. and operates principally in South Africa.

The operating results for the year were satisfactory for the following reasons:

(a) The municipality recorded a net deficit of R65,078,905 (2010: deficit R43,681,998). This was mainly attributable to cost cutting measures, revenue enhancement strategies adopted, significant increase in service charges and general increase in grant funding.

(b) Further, the municipality's contribution towards total income remained almost constant. However, in monetary terms (absolute amounts), the current year amounts significantly increased. Plans are in place to improve own contributions.

Proportion of income generated/raised

2011

Type of Income	Proportion of contribution to income	Amount
Property rates	5 %	7,051,238
Service charges	54 %	72,755,019
Grants and subsidies	25 %	33,960,226
Other Income	16 %	21,803,242

2010

Type of Income	Proportion of contribution to income	Amount
Property Rates	5 %	6,237,049
Service charges	50 %	57,187,992
Grants and subsidies	22 %	30,799,519
Other Income	23 %	19,538,351

2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated deficits of R(87,656,225) (2010: R20,221,294) and that the municipality's total liabilities exceed its assets by R(77,677,397) ((2010: R13,318,577). Please refer to note 45 (Going Concern) to the financial statements.

Despite the foregoing, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus, the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations for the municipality.

3. Subsequent events

The Chief Finance Officer, Community Services Director and Corporate Services Director were suspended on the 14th of December 2011. The disciplinary processes will be undertaken in the near future.

4. Accounting Officer & Other Relevant Officials's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

Accounting Officer's Report

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretation and directives.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. M. A. Makuapane	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Dr. Ruth Mompati District Municipality must appoint members of the shared Audit Committee. Thus, more information with regards to the composition of the shared audit committee, its operations and sub-committees will be covered in the district municpality's annual financial statements.

Internal audit

The municipality has a shared internal audit function, based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003, as it is a permitted arrangement.

Accounting Officer's Report

8. Bankers

The municipality's bankers did not change during the current year.

9. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality into the foreseable future.

10. Non compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
ASSETS			
Current Assets			
Inventories	8	829,283	764,499
Other financial assets	5	29,985	24,871
Trade and other receivables	9	4,175,696	4,133,138
Other receivables from non-exchange transactions	10	7,244,400	6,875,216
Consumer debtors	11	26,828,732	54,130,150
Money Market Investments	7	1,330,317	1,277,343
Cash and cash equivalents	12	156,567	1,834,585
		40,594,980	**69,039,802**
Non-Current Assets			
Investment property	2	502,883	502,883
Property, plant and equipment	3	49,562,588	43,546,452
Intangible assets	4	71,961	2
		50,137,432	**44,049,337**
Non-current assets held for sale	13	-	181,546
TOTAL ASSETS		**90,732,412**	**113,270,685**
LIABILITIES			
Current Liabilities			
Other Interest Bearing Liabilities	17	15,007,569	14,940,879
Finance lease obligation	18	1,752,383	115,456
Trade and other payables	21	108,093,273	78,565,780
VAT payable	22	8,250,774	8,026,589
Consumer deposits	23	947,989	948,655
Retirement benefit obligation	6	794,200	734,200
Unspent conditional grants	19	5,337,483	6,289,080
Provisions	20	3,156,783	2,589,977
		143,340,454	**112,210,616**
Non-Current Liabilities			
Other Interest Bearing Liabilities	17	6,206,517	7,415,846
Finance lease obligation	18	3,971,038	-
Retirement benefit obligation	6	14,891,800	6,962,800
		25,069,355	**14,378,646**
TOTAL LIABILITIES		**168,409,809**	**126,589,262**
NET ASSETS		**(77,677,397)**	**(13,318,577)**
NET ASSETS			
Reserves			
Fair value adjustment assets-available-for-sale reserve	14&14	29,985	24,871
Government grant reserve	15&15	9,603,605	6,411,089
Donations and public contributions	16&16	345,238	466,667
Accumulated surplus		(87,656,225)	(20,221,204)
Total Net Assets		**(77,677,397)**	**(13,318,577)**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates		7,051,238	6,237,049
Service charges		72,755,019	57,187,992
Rental of facilities and equipment		294,415	354,072
Fines		2,330,730	6,291,735
Licences and permits		3,600	2,090,533
Government grants & subsidies		33,960,226	30,799,519
	24	**116,395,228**	**102,960,900**
Other income			
Administration and management fees received		2,350,212	-
Fees earned		586,344	575,936
Commissions received		85,527	75,502
Interest Earned - Outstanding Debtors		11,291,434	8,803,794
Sundry		585,782	1,298,141
DBSA Loan Write - off		4,197,731	-
Interest received	34	77,467	48,638
		19,174,497	**10,802,011**
Expenses (Refer to page 10)		**(195,780,930)**	**(154,144,325)**
Operating deficit	30	**(60,211,205)**	**(40,381,414)**
Finance costs	36	(4,867,700)	(3,300,584)
Deficit for the year		**(65,078,905)**	**(43,681,998)**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Operating expenses			
Advertising		(74,781)	(47,981)
Auditors remuneration	37	(1,167,168)	(1,132,647)
Debt Impairment		(65,223,055)	(49,078,645)
Bank charges		(177,893)	(166,201)
Bulk purchases		(47,983,260)	(28,871,830)
Chemicals		(2,451,187)	(1,915,035)
Community development and training		(5,700)	(32,400)
Computer expenses		(3,060)	(25,919)
Consulting and professional fees		(224,622)	(505,485)
Consumables		(4,554)	(41,233)
Contracted Services		(1,772,095)	(4,126,702)
Debt collection		(2,768)	-
Delivery expenses		(12,281)	-
Depreciation, amortisation and impairments		(7,227,966)	(10,499,794)
Employee costs		(44,167,449)	(37,574,543)
Entertainment		(129,457)	(76,752)
Stores & material		(20,836)	(29,558)
Stock loss		-	(560)
Land Surveyor		-	(149,856)
Strategic Planning Workshop		(3,500)	(6,758)
Municipal charges		(1,163,918)	-
Grant Related operational expenditure		-	(4,367,444)
Insurance		(815,187)	(872,581)
Lease rentals on operating lease		(1,411)	(1,459,915)
Legal expenses		(3,524,797)	(708,104)
Magazines, books and periodicals		(1,858)	(764)
Motor vehicle expenses		(1,051,327)	(1,005,678)
Other expenses		(3,921,399)	(1,393,868)
Pest control & Poison		-	(12,919)
Licensing		(100,512)	(117,241)
Postage & courier		(312,379)	(142,737)
Printing and stationery		(292,555)	(416,535)
Promotions		(8,378)	(9,581)
Protective clothing		(98,285)	(114,634)
Repairs and maintenance		(4,045,701)	(4,072,203)
Indigent subsidy		(5,677,345)	(3,026,459)
Subscriptions & membership fees		(244,927)	(216,906)
Telephone and fax		(747,704)	(910,142)
Assets written-off		(2,398,452)	(201,717)
Training		(3,210)	(38,953)
Subsistence & travel		(719,953)	(774,045)
		(195,780,930)	**(154,144,325)**

Statement of Changes in Net Assets

Figures in Rand	Fair value adjustment reserve	Government grant reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
Balance as at 01 July 2009	**-**	**7,328,066**	**-**	**7,328,066**	**30,683,389**	**38,011,455**
Changes in net assets						
Surplus for the year	-	-	-	-	(43,681,998)	(43,681,998)
Off setting depreciation	-	(2,949,624)	(33,333)	(2,982,957)	2,982,957	-
Net purchase of assets	-	2,238,413	500,000	2,738,413	(2,738,413)	-
Asset disposals	-	(205,766)	-	(205,766)	205,766	-
Available for sale shares - Reclassification	24,871	-	-	24,871	(24,871)	-
Net prior year adjustment	-	-	-	-	(7,648,034)	(7,648,034)
Total changes	24,871	(916,977)	466,667	(425,439)	(50,904,593)	(51,330,032)
Balance at 01 July 2010	**24,871**	**6,411,089**	**466,667**	**6,902,627**	**(20,221,204)**	**(13,318,577)**
Changes in net assets						
Surplus for the year	-	-	-	-	(65,078,905)	(65,078,905)
Off setting depreciation	-	(6,611,750)	(121,429)	(6,733,179)	6,733,179	-
Net Purchase of Assets	-	(7,716,895)	-	(7,716,895)	7,716,895	-
Asset Disposals/Corrections/Write-offs	-	17,521,161	-	17,521,161	(17,521,161)	-
Fair value adjustment	5,114	-	-	5,114	(5,114)	-
Net prior year adjustment	-	-	-	-	720,085	720,085
Total changes	5,114	3,192,516	(121,429)	3,076,201	(67,435,021)	(64,358,820)
Balance at 30 June 2011	**29,985**	**9,603,605**	**345,238**	**9,978,828**	**(87,656,225)**	**(77,677,397)**
Note(s)	14	15	16			

Cashflow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		42,318,186	71,913,889
Grants		33,960,226	30,799,519
Investment Income		77,467	48,638
Other cash items		6,236,610	10,687,919
		82,592,489	113,449,965
Payments			
Employee costs		(43,822,081)	(39,241,473)
Suppliers		(15,402,835)	(13,286,713)
Finance costs		(4,867,700)	(3,300,584)
Other payments		(11,519,747)	(48,140,890)
		(75,612,363)	(103,969,660)
Net cash flows from operating activities	40	**6,980,126**	**9,480,305**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(22,887,460)	(9,515,705)
Proceeds from sale of property, plant and equipment	3	9,902,436	183,290
Purchase of other intangible assets	4	(80,358)	-
Proceeds from sale of financial assets		(5,114)	-
Increase in money market instruments		(52,974)	(47,360)
Net cash flows from investing activities		**(13,123,470)**	**(9,379,775)**
Cash flows from financing activities			
Repayment of other interest bearing liabilities		(1,142,639)	2,865,168
Movement in Dr. Segomotsi Ruth Mompati District Municipality's Loan		-	(1,000,000)
Finance lease payments		5,607,965	(30,636)
Net cash flows from financing activities		**4,465,326**	**1,834,532**
Net increase/(decrease) in cash and cash equivalents		**(1,678,018)**	**1,935,062**
Cash and cash equivalents at the beginning of the year		1,834,585	(100,477)
Cash and cash equivalents at the end of the year	12	**156,567**	**1,834,585**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). .

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Statements and Interpretations Not Yet Effective

GRAP Standards

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of Non-Cash Generating Assets;
- GRAP 23 - Revenue from Non-Exchange Transactions;
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash Generating Assets;
- GRAP 103 - Heritage Assets;
- GRAP 104 - Financial Instruments;
- GRAP 105 - Transfer of Functions Between Entities Under Common Control;
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control;
- GRAP 107 - Mergers;
- GRAP 20 - Related Party Disclosures.

GRAP 18, 21, 23, 24, 26, 103 and 104 are effective for financial periods beginning on or after 1 April 2012. The municipality plans to implement these standards for the financial periods beginning 1 July 2012, in line with the stated transitional arrangements. At this moment, the impact of the adoption of these standards is not known and cannot be reasonably estimated as the input data is not readily available. Further, the accounting policies will also be amended accordingly.

Regarding GRAP 105, 106, 107, 20 and 25, there are not effective dates as yet as the Minister of Finance has not yet determined the effective dates. The nature of the impending changes, when the municipality intends to adopt them and the likely impact on the financial statements will be discussed or determined when the Minister of Finance dertemines the effective date.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts prepresented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

In the process of applying the municipalty's policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most signifcant effect on the amounts recognised in the financial statements and these are consistent with the previous period:

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether the observable data indicate a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade and other receivables are assumed to approximate their fair values.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply, demand, together with economic factors such as interest and inflation rates.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Pension and Other Post retirement benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The acturial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Additional information is disclosed in Note 6.

Classification as investment property

The municipality regularly reviews its property portfolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and the Carrying Value of Items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and/or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of the useful lives, and what their condition will be at that time.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.3 Investment property (continued)

Transitional provision

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in note 2.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revalutation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value from the day that the asset is ready for use.

Land is not depreciated, as it is deemed to have an indefinite useful life.

Incomplete construction work is stated at historical cost, as Work In Progress (WIP). Depreciation only commences when the asset is ready for use.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Infrastructure	
• Roads and Paving	30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Housing	30
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5

Accounting Policies

1.4 Property, plant and equipment (continued)

Other

• Buildings	30
• Specialist vehicles	5 - 20
• Other vehicles	5 - 7
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Landfill sites	2 - 5
• Plant and machinery	2 - 7
• Leased assets	3 - 7

Residual value is what the asset would currently receive if in the condition it would at the end of its useful life. The asset's residual value and the useful life are reviewed and adjusted, if approrpiate, at the end of each reporting date. If the expectations differ from previous estimates, the change is recognised as a change in accounting estimate in the Statement of Financial Performance. The actual useful lives, residual values and depreciation method are assessed annually and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cysles and maintanance programme are taken into account.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cashflow statement.

Transitional provision

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

Accounting Policies

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore some items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited to revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit. If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies

1.6 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3- 7 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Transitional provision

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 4.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.7 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Loans and receivables are subsequently measured at amortised cost, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Accounting Policies

1.7 Financial instruments (continued)

Financial instruments designated as available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any accumulated impairment losses and/or any other adjustments. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated amount recoverable (using a reasonable and approved basis).

The carrying amount of the asset is reduced through the use of a provision for bad debts account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision for bad debts account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Bad debts are written off during the year in which they are identified.

Trade and other receivables are classified as loans and receivables.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the municipality.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown in borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

Bank overdraft and borrowings

Bank overdrafts and interest-bearing borrowings are initially measured at fair value,net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowing, using the effective interest rate method.

Interest-bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The municipality's loans and receivables comprised trade receivables and other receivables and cash and cash equivalents.

Accounting Policies

1.7 Financial instruments (continued)

Offsetting of financial assets and liabilities

A financial asset and a financial liabilty are only offset and the net amount presented in the statement of financial position when and only when:

- the municipality has a legally enforceable right to set off the recognised amounts, and;
- the municipality intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality will off set the trabsferred asset and the associated liability.

Disposal and Derecognition

Disposal

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Derecognition

Financial assets are derecognised when the reight to receive cash flowws from the investment have expired or have been transferred and the municipality transferred, substantially, all risks and rewards of ownership.

Impairment of financial assets

At the end of each reporting period, the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is an objective evidence that a financial asset or group of financial assets have been impaired.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Perofromance on equity instruments are not reversed through the Statement of Financial Perofrmance.

Where the financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plan and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality wil not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.9 Inventories

Consumable stores, raw materials and finished goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the Valuation Roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

Accounting Policies

1.9 Inventories (continued)

Water inventory is measured at the lowest of purifying cots and net realisable value in so far as it is stored and controlled in resorvoirs at yeariend. Readings of water levels are taken at year-end, which is quantified at the above value.

Land held for development, including the land in the process of development until legal completion of the sale of the asset, is initially recorded at cost. Where through deferred purchase credit terms, cost differred from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance costs.

Transitional provision

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 8. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and inventories has accordingly been recognised at provisional amounts, as disclosed in 8.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.10 Going Concern Assumptions

The annual financial statements were prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for the next 12 months.

1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Accounting Policies

1.12 Impairment of Property, Plant and Equipment

The municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each balance sheet date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of Property, Plant and Equipment (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for any asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Incomplete Construction Work (Work In Progress)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incured to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

1.14 Tax

The municipality is exempt from taxe in terms of section 10(1)(c)(B)(i)(ff) of the Income Tax Act.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. Liabilities relating to such benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

Accounting Policies

1.15 Employee benefits (continued)

Defined contribution plans (Pension, provident and retirement funds)

The municipalitys and its employees contributes to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordnance with the rules of the funds. Full acturial valuations are performed by the relevant funds on a regular basis as per the requirement of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relavant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Some of the various funds that the municipality contributes to are multi-employeer defined benefit plans but they are accounted for as defined contribution plans. This is so because of the nature of these funds and the fact that the assets are not specifically associated to meet the obligations in respect of individual employers in terms of paragraph 30 of IAS 19. Thus, there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual municipalities participating in the plan. The contributions to the fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are acturially valued annually on a national or provincial basis, using the projected unit credit method. Deficits, if any, are recovered through lumpsum payments or increased future contributions on a proportional basis from all participating municipalities.

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method presrcibed by IAS 19. Future benefit values are projected using specific acturial assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any acturial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current Service Costs and Interest Costs are recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service costs includes the expense for the benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and the fair value of plan assets. Recognition of a defined benefit asset is limited to unrecognised past service costs plus the present value of available refunds and reduction in future contributions to the plan.

When some of the employees are not members of any qualifying medical aid scheme as at the reporting date, the municipality accrues a portion of the estimated number of members that are likely to join the fund prior to retirement, together with the provision of employees who are members of the approved medical aid scheme. This management estimate is meant to cater for employees who are likely to join the qualifying medical aid scheme in future. The compliment of the provision recognised is disclosed in the notes to the financial statements as a contingent liability. It should be noted that various basis or a reasonable basis is used to determine this, ranging from enquiries from such employees to other statistical information like new members during the current year as a proportion of those who were not members of any medical aid scheme. Thus,one or methods can be used to determine this.

Other Long Term Employee Benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

Transitional Provisions (First Time Adoption of IAS 19 (Employee Benefits)

The municipality adopted IAS 29 (Employee Benefits) for the first time as at 1 July 2009. As there was no requirement to recognised the post retirement medical aid benefits as a defined benefit fund under the previous reporting format, the opening net obligation/asset for this fund is nil.

The municipality has irrevocably chosen to recognised the opening obligation as at 1 July 2009 in the income statement over a period of five years, as provided for by the standard. Acturial gains and/or losses will, however, be recognised in full. Relevant disclosures and presentations will be done in the financial statements and notes to the financial statements.

Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. Where there are a number of similar obligations, the liklihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Cleaning Up of Illegal Dumping: The municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance. Therefore, there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of ilegal dumping. Where there is no provision recognised, a contingent liability is disclosed.

Landfill sites: The municipality has an obligation to rehabilitate its landfill sites in terms of its licencing stipulations. A provision has been established from 2008/9. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligations and is carried at amortised cost.

Accounting Policies

1.16 Provisions and contingencies (continued)

Transitional provision

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in note 20.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.17 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximated the consideration received or receivable.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, trade discounts, returns and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties, dividends & other income

Interest earned on investments is recognised on a time proportion basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period. .

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from rates is recognised when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system, assessment rates are levied on the land value of the property. A composite rating system charging different rate tarriffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue. Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. By nature, a reliable estimate cannot be made of revenue from summons and spot fines. The revenue from fines is therefore recognised when the public prosecutor or ticketed person pays over to the entity the cash actually collected on summons and/or spot fines (on receipt basis).

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Unconditional grants and receipts

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations (Conditional Grants etc)

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The enactment of the Act itself is not sufficient enough to assume that the grants will be received. As such, the most obvious basis is on receipt as in most cases it is difficult to determine if all the conditions will be met. To the extent that the conditions, criteria or obligations have not been met, the amounts are received are recognised as a liability.

If goods in-kind are received without conditions attached , revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced by a portion of revenue recognised when the conditions are satified.

1.19 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.20 Pre-paid electricty

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:
- During the winter season (May, June, July and August), the municipality tend to sell more units as the temparatures will be generally low.
- The municipality calculates the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of the May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for the signifcant variances are obtained and accounted for in apropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus, exceptional items are adjusted for.
- The resultant reasonable average consumption rate is used as an estimate for the consumption of pre-paid electricity for the month of June. The actual units sold in June are then compared to the estimated consumption for June.

Accounting Policies

1.20 Pre-paid electricty (continued)

If the actual quantity sold is more than the estimated consumption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.12 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

When there is clear evidence that it is difficult to link borrowing requirement of the municipality directly to the nature of the expenditure to be funded, i.e. capital or operational, borrowing costs are recognised as an expense in the period in which they are incurred. The municipality applies the same pronciple on all other borring costs not capitalised for any other reasons.

1.22 Comparative figures

When the presentation or classification of items in the financial statements is ammended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division or permitted by the MFMA.

Accounting Policies

1.23 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure, as defined by the MFMA, is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the Municipal Systems Act, (Act No. 32 of 2000), Public Office Bearers Act (Act No. 20 of 1998) or any regulations made in terms of these Acts; or
- (c) the municipality's Supply Chain Management Policies or any provincial legislation/guidelines providing for procurement procedures in the municipalities.

Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occured and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Internal reserves

Fair Value Adjustment Reserve

The municiaplity recognises all fair value adjustments for its available for sale financial instruments in equity, in the Fair Value Adjustment Reserve. When a part of the available for sale instruments are derecognised, a transfer (representing the fair value adjustment realised) is made from the reserve to the statement of financial performance.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Accounting Policies

1.26 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality uses the Workman's Compensation Fund to cover for such challenges.

1.27 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.28 Segmental information

Segmental information on property, plant and equipment is set out in Appendices C. Other segmental information is currently exempt.

1.29 Budget information

The municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar approvals.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are prepared on the same basis of accounting therefore a comparison with the budegted amounts for the reporting period has been included in the annual financial statements.

The statement of comparative and actual information have been included in the annual financial statements as recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	502,883	-	502,883	502,883	-	502,883

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	502,883	502,883

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	502,883	502,883

Fair value of investment properties	502,883	502,883

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain investment property with a carrying value of R502,883 (2010: R502,883) were recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are as follows:

Due to initial adoption of GRAP 16

Investment Property	502,883	502,883

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16, are that the municipality wil engage a qualified independent appraiser to value the investment property. In the meantime, the values has been adjusted using the latest valuation roll.

No provisional amounts were retrospectively adjusted during the year.

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

Deemed cost

Aggregate of items valued using deemed cost	502,883	502,883

Deemed cost was determined using the valued as per the valuation roll completed around 2001.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	618,871	-	618,871	620,372	-	620,372
Buildings	3,794,377	(378,318)	3,416,059	3,799,877	(188,449)	3,611,428
Plant and machinery	3,224,397	(4,404,911)	(1,180,514)	8,917,178	(3,620,954)	5,296,224
Furniture and fixtures	1,125,416	(429,462)	695,954	1,180,623	(236,370)	944,253
Motor vehicles	14,443,883	(7,265,393)	7,178,490	7,918,272	(4,983,740)	2,934,532
Office equipment	5,793,769	(1,035,682)	4,758,087	2,482,578	(385,950)	2,096,628
Infrastructure	39,767,087	(5,969,741)	33,797,346	30,170,748	(3,586,029)	26,584,719
Community	299,911	(21,616)	278,295	299,911	(14,995)	284,916
Capital work in progress	-	-	-	1,066,917	-	1,066,917
Landfill site	212,926	(212,926)	-	212,926	(106,463)	106,463
Total	**69,280,637**	**(19,718,049)**	**49,562,588**	**56,669,402**	**(13,122,950)**	**43,546,452**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals/Corrections	Transfers	Net Other Adjustments	Depreciation	Total
Land	620,372	-	-	-	(1,501)	-	618,87
Buildings	3,611,428	-	-	-	(5,499)	(189,870)	3,416,05
Plant and machinery	5,296,224	142,895	(773,626)	-	(4,911,994)	(934,013)	(1,180,51
Furniture and fixtures	944,253	30,911	(33,598)	-	(26,476)	(219,136)	695,95
Motor vehicles	2,934,532	1,699,000	-	-	4,984,383	(2,439,425)	7,178,49
Office equipment	2,096,628	4,714,087	(1,368,346)	-	125,196	(809,478)	4,758,08
Infrastructure	26,584,719	16,300,567	(7,726,866)	1,066,917	71,389	(2,499,380)	33,797,34
Community	284,916	-	-	-	15,181	(21,802)	278,29
Capital work in progress	1,066,917	-	-	(1,066,917)	-	-	
Land fill site	106,463	-	-	-	-	(106,463)	
	43,546,452	**22,887,460**	**(9,902,436)**	**-**	**250,679**	**(7,219,567)**	**49,562,58**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Net Other Adjusments	Depreciation	Total
Land	622,872	-	-	-	(2,500)	-	620,37
Buildings	3,797,377	-	-	-	2,500	(188,449)	3,611,42
Plant and machinery	6,459,501	2,457,677	-	-	(39,923)	(3,581,031)	5,296,22
Furniture and fixtures	983,311	201,219	(1,900)	-	(16,367)	(222,010)	944,25
Motor vehicles	8,045,133	-	(146,740)	-	(2,428,631)	(2,535,230)	2,934,53
Office equipment	2,386,561	148,539	(34,650)	-	(35,814)	(368,008)	2,096,62
Infrastructure	22,595,920	5,641,353	-	1,933,475	(102,421)	(3,483,608)	26,584,71
Community	299,911	-	-	-	-	(14,995)	284,91
Capital work in progress	1,933,475	1,066,917	-	(1,933,475)	-	-	1,066,91
Landfill sites	212,926	-	-	-	-	(106,463)	106,46
	47,336,987	**9,515,705**	**(183,290)**	**-**	**(2,623,156)**	**(10,499,794)**	**43,546,45**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Motor vehicles	1,529,100	-
Office equipment	3,941,266	1,566,490

Assets subject to finance lease (Net carrying amount)

Motor vehicles	1,529,100	-
Office equipment	3,941,266	1,566,490
	5,470,366	**1,566,490**

Useful lives

The useful lives of the have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable. This may be due to the fact that the municipality converted to GRAP in the prior year and the lives determined in the prior year are still reasonable. The time that has lapsed i an insiginificant component of the live spans of these assets.

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain property, plant and equipment with a carrying value of R49,562,588 (2010: R43,546,452) are at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to adoption of GRAP 17

Land	618,871	620,372
Buildings	3,416,059	3,611,771
Other Assets	45,527,658	41,411,165

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17 are that a qualified independent valuer will be appointed to perform the valuation and adjustments will be made in the annual financial statements. The process may entail engaging the provincial department for additional financial and human capital.

There were no provisional amounts retrospectively adjusted during the year.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Deemed cost

Aggregate of items valued using deemed cost	49,562,588	43,546,452

Deemed cost was determined using values that were in the fixed asset register.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	80,360	(8,399)	71,961	2	-	2

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	2	80,358	(8,399)	71,961

Pledged as security

No intangible assets are pledged as security.

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain intangible assets with a carrying value of R1 (2010: R1) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Venus and Payday Payroll System	2	2

Steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, are that an estimate of the cost to install the two systems to the level of our utilisation and capaicty will be obtained from the system providers. This will then be used as a basis for determing the value. This will be done by the end of the current financial period.

There were no provisional amounts retrospectively adjusted during the year.

Venus and Payday Payroll	2	2

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

Deemed cost

Aggregate of items valued using deemed cost	2	2

Deemed cost was determined at a nominal value of R1.

5. Other financial assets

Available-for-sale

Listed shares This relates to non-controlling interest of 1 058 shares held by the municipality in Sanlam Ltd, which are recognised at fair value. The shares were awarded to the municipality a longtime ago during the demutualisation exercise and are valued as per valuation obtained from Sanlam Transfer Secretaries as at 30 June 2011. The market value of the shares were R28.34 (2010: R23.51).	29,985	24,871

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

5. Other financial assets (continued)

Current assets		
Available-for-sale	29,985	24,871

6. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is committed to pay 60% of the members' post employment medical aid contributions up to an amount that is currently capped at R3,593 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme sudsidy were 93 in service members and 24 pensioners.

The most recent acturial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2011 by Momentum Specialised Insurance. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(15,686,000)	(7,697,000)
Non-current liabilities	(14,891,800)	(6,962,800)
Current liabilities	(794,200)	(734,200)
	(15,686,000)	**(7,697,000)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	7,697,000	-
Transitional provision - recognised during the year	4,992,500	4,992,500
Benefits paid	(690,407)	(595,792)
Net expense recognised in the statement of financial performance	3,686,907	3,300,292
Closing balance	**15,686,000**	**7,697,000**

Net expense recognised in the statement of financial performance

Current service cost	1,263,000	1,158,500
Interest cost	2,457,000	2,217,000
Actuarial (gains) losses	(33,093)	(75,208)
Total included in employee related costs	**3,686,907**	**3,300,292**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

	2011	2010
Actuarial (gains) losses – Obligation	(33,093)	(75,208)

Transitional Provisions (First Time Adoption of IAS19)

	2011	2010
Opening balance (not yet recognised at beginning of year)	19,970,000	-
Amount recognised during the current year (statement of financial performance)	(4,992,500)	(4,992,500)
Transitional Provision Liability at date of adoption	-	24,962,500
Closing balance (amount to be recognised in future)	**14,977,500**	**19,970,000**

The municipality adopted IAS 19 for the first on July 2009. Previously, post retirement medical aid benefit obligations or assets were not recognised in the financial statemenst as it was not a requirement to do under IMFO. When adopting the standard for the first time, the municipality made an irrevocable choice to recognise the opening balance of the liability in the income statement over five years. As a result of this, the foregoing are the key amounts disclosable.

Key assumptions used

The principal assumptions used for the purpose of the acturial valuation on 30 June 2011 were as follows:

	2011	2010
Discount rates used	9.00 %	- %
Consumer price inflation	6.25 %	- %
Expected increase in salaries	7.25 %	- %
Expected increase in healthcare costs	8.00 %	- %

The expense for the previous period (2009/10) was derived by discounting the valuation for the current year backwards, which is an acceptable practise when valuing such defined plans. As such, there are no key assumptions for the comparative period.

Demographic Assumptions: Normal Retirement Age (65 years); Fully accrued age (63 years); Age between husband and wife (Active members - 4 years, Pensioners - actual age used); Proportion married (Active members - 90%, Pensioners - actual married status used) .

Decrement Assumptions: Mortality [Active members: SA(85 - 90), Pensioners: PA(90 - 92]

Data Assumptions: The following data assumptions were made due to non-availability sufficient information; (a) Dates of birth for 13 pensioners could not be obtained. It was therefore assumed that the pensioners are 66 years old; (b) Gender for 8 pensioners could not be determined. It was therefore assumed that all such pensioners are male; (c) The marital status for 6 pensioners could not be established. It was therefore assumed that the pensioners are married and the spouses are 4 years younger than the pensioners.

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Health Care Costs: Effect on the aggregate of the service cost and interest cost	2,778,000	1,979,000
Health Care Costs: Effect on defined benefit obligation	22,929,000	17,025,000
Discount Rate: Effect on defined benefit obligation	17,063,000	22,937,000
Expected Retirement Age (1 year change): Effect on defined benefit obligation	20,525	18,898

Amounts for the current and previous four years are as shown below. These amounts are before taking into account the transitional provisions adopted by the municipality but after taking into account 50% of the non-medical scheme members as at 30 June 2011.

The valuation exercise did not cover the period ending 30 June 2008. To determine the estimated amounts for 2008 financial period, the balance for 30 June 2009 were discounted to about 92.5%, which was the average change in the amounts for the other periods. This, however, had no effect on the values disclosed eslewhere.

	2011	2010	2009	2008	
Defined benefit obligation at end of year	27,760,000	25,055,500	22,521,500	20,832,388	-
Interest costs	2,457,000	(2,217,000)	1,999,000	1,849,075	-
Current service costs	1,263,000	1,158,500	1,063,500	983,738	-
Expected Employer Benefit Payments	(723,500)	(671,000)	(528,500)	(488,863)	-

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2011	2010
The total economic entity contribution to such pension schemes	3,846,531	3,607,691
The amount recognised as an expense for medical aid contributions	2,150,409	1,949,469

Included in defined contribution plan information above, is the Multi-Employer Pension Fund contributiopns, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

Multi-Employer and State Plans

The following are the defined benefit plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Gratuity Fund

These are not treated as defined benefit plans as defined by IAS 19,but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined beneift plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

In terms of contributions to the fund, the municipality and employee contributions are as follows:
- SALA Pension Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

An amount of R3,846,531 (2010: R3,607,691) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

7. Money Market Investments

This relates to money market placements with various financial services institutions. The money is placed on fixed or call accounts. The investment period averages 60 days. The average interest rates for the current year were 5.65% (2010: 8.34%).

Of this amount, R866,762.05 (2010: R844,582.88) was used a security for the municipality's overdraft facility. See Note 12.

Money Market Investments	2011	2010
Nedbank (Various Accounts)	62,214	58,072
Absa (Various Accounts)	1,268,103	374,688
Momentum (Account No. 089708074)	-	844,583
	1,330,317	**1,277,343**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

8. Inventories

Consumable stores	78,031	11,275
Water	30,693	38,566
Fuel (Diesel, Petrol)	61,559	55,658
Stands for sale	659,000	659,000
	829,283	**764,499**

Inventory pledged as security

No inventory was pledged as security for the current and previous year.

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 1.9, certain inventories with a carrying value of R659,000 (2010: R659,000) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Stands for sale	659,000	659,000

Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, are that the stands will be based on the values determined by the municipality's valuers, as indicated in the valuation roll that is effective 1 July 2011..

Stands for sale	659,000	659,000

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

9. Trade and other receivables

Trade debtors	4,080,385	3,929,764
Deposits	8,000	8,000
Other receivables	87,311	195,374
	4,175,696	**4,133,138**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

10. Other receivables from non-exchange transactions

Assessment rates	16,208,346	12,376,076
Provision for bad debts	(8,963,946)	(5,500,860)
	7,244,400	**6,875,216**

Other receivables from non-exchange transactions pledged as security

There were no other receivables from non-exchange transactions pledged as security during the current and prior year.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R1,425,217 (2010: R1,283,757) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	636,956	561,763
2 months past due	406,593	388,772
3 months past due	381,668	333,222

Other receivables from non-exchange transactions impaired

As of 30 June 2011, other receivables from non-exchange transactions of R8,963,946 (2010: R5,500,860) were impaired and provided for.

The amount of the provision was R8,963,946 as of 30 June 2011 (2010: R5,500,860).

The ageing of the amounts past due is as follows:

Over 3 months	8,963,946	5,500,860

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	5,500,860	1,305,915
Adjustment to provision for impairment	3,463,086	4,194,945
	8,963,946	**5,500,860**

11. Consumer debtors

Gross balances		
Electricity	14,085,587	11,374,839
Water	45,459,585	36,489,214
Sewerage	34,998,772	26,418,966
Refuse	29,401,525	23,156,661
Arrangements (all Service Charges)	375	473
Interest (all Service Charges)	11,337,325	400,881
Sundry	2,614,618	6,400,953
	137,897,787	**104,241,987**

Less: Provision for debt impairment		
Electricity	(6,421,245)	(5,055,835)
Water	(31,052,435)	(16,218,554)
Sewerage	(31,653,898)	(11,742,577)
Refuse	(27,989,159)	(10,292,564)
Arrangements	(375)	(473)
Interest (all Service Charges)	(11,337,325)	(400,881)
Other (specify)	(2,614,618)	(6,400,953)
	(111,069,055)	**(50,111,837)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

11. Consumer debtors (continued)

Net balance		
Electricity	7,664,342	6,319,004
Water	14,407,150	20,270,660
Sewerage	3,344,874	14,676,389
Refuse	1,412,366	12,864,097
	26,828,732	**54,130,150**
Electricity		
Current (0 -30 days)	2,796,421	2,205,225
31 - 60 days	1,198,496	859,302
61 - 90 days	830,646	615,687
>91 days	2,838,779	2,638,790
	7,664,342	**6,319,004**
Water		
Current (0 -30 days)	1,165,529	1,159,067
31 - 60 days	1,142,276	906,985
61 - 90 days	1,174,586	927,818
>91 days	10,924,759	17,276,790
	14,407,150	**20,270,660**
Sewerage		
Current (0 -30 days)	1,217,227	853,578
31 - 60 days	1,055,400	753,737
61 - 90 days	1,042,044	728,034
>91 days	30,203	12,341,040
	3,344,874	**14,676,389**
Refuse		
Current (0 -30 days)	891,782	633,836
31 - 60 days	520,584	578,916
61 - 90 days	-	561,474
>91 days	-	11,089,871
	1,412,366	**12,864,097**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(50,111,837)	(60,654,020)
Contributions to provision	(61,101,446)	(44,883,700)
Debt impairment written off against provision	144,228	55,425,883
	(111,069,055)	**(50,111,837)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R17,380,541 (2010: R13,969,860) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7,264,790	5,406,392
2 months past due	5,251,643	4,568,062
3 months past due	4,864,108	3,995,406

Notes to the Annual Financial Statements

Figures in Rand		2011	2010

11. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R111,069,055 (2010: R50,111,837) were impaired and provided for.

The amount of the provision was R111,069,055 as of 30 June 2011 (2010: R50,111,837).

The ageing of these loans is as follows:

	2011	2010
Over 3 months	111,069,055	50,111,837

Reconciliation of provision for impairment of consumer debtors

	2011	2010
Opening balance	50,111,837	61,959,935
Provision for impairment	61,101,446	43,577,785
Amounts written off as uncollectible	(144,228)	(55,425,883)
	111,069,055	**50,111,837**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	1,917	4,290
Bank balances	154,650	1,830,295
	156,567	**1,834,585**

		2011	2010
Cash and cash equivalents held by the municipality that are not available for use by the municipality		866,762	842,352
The total amount of undrawn facilities available for future operating activities and commitments		1,000,000	1,000,000

Cash and cash equivalents pledged as collateral

		2011	2010
Total financial assets pledged as collateral for the Council's overdraft facility of R1,000,000	7	866,762	842,352

The amount is held in money market placement for as long as the municipality's overdraft facility is in place. The facility was done on an arms legnth transaction and is renewable annually.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2011	Bank statement balances 30 June 2010		Cash book balances 30 June 2011	Cash book balances 30 June 2010	
Absa BANK - Current Account (Account No. 1810000844)	374,256	345,031	-	(359,248)	317,538	-
Absa BANK - Current Account (Account No. 181046415)	230,345	804,875	-	231,038	804,875	-
Absa BANK - Savings Account (Account No. 1810147748)	2,511	2,548	-	2,511	2,548	-
Absa BANK - Current Account (Account No. 4059244467)	251,964	676,293	-	251,964	676,293	-
Absa BANK - Current Account (Account No. 4053056975)	1,850	249	-	1,850	249	-
Boitumelong Ext 4 (Account No. 4063524168)	26,535	28,792	-	26,535	28,792	-
Total	**887,461**	**1,857,788**	**-**	**154,650**	**1,830,295**	**-**

13. Discontinued operations or disposal groups or non-current assets held for sale

The municipality has decided to discontinue its operations in (state entity or details). The assets and liabilities of the disposal group are set out below.

The decision was made by the accounting officer to discontinue these operations due the lack of return on investment.

The non-current assets are to be sold piecemeal.

The disposal are expected to be completed by 30/06/2011.

Transitional provision

In accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework, the municipality need not comply with the standard on Non-current Assets held for Sale and Discontinued Operations, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets

14. Fair value adjustment reserve

The fair value adjustment assets reserve comprises all fair value adjustments on available-for-sale financial instruments. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

	2011	2010
Opening balance	24,871	18,282
Available-for-sale financial instruments	5,114	6,589
	29,985	**24,871**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. Government grant reserve

Balance at the beginning of the year	6,411,089	7,328,066
Offsetting depreciaition	(6,611,750)	(2,949,624)
Purchase of new assets/Corrections	(7,716,895)	2,238,413
Asset Disposal/Corrections/Write-offs	17,521,161	(205,766)
	9,603,605	**6,411,089**

16. Donations and public contributions

Balance at the beginning of the year	500,000	500,000
Offsetting depreciation	(154,762)	(33,333)
	345,238	**466,667**

17. Other Interest Bearing Liabilities

Held at amortised cost		
Development Bank of South Africa (DBSA) & ABSA Bank Loans	15,007,569	14,940,879
Development Bank of South Africa (DBSA)	5,119,916	6,039,208
The loans carry interest at rates varying between 13,41% and 17,47% per annum and are repayable over periods ranging from 4 years upwards. The last loan will be redeemed by 2015. As at 30 June 2011 R13,695,769,81 (2010: R9,705,598) was in arrears and the entire balance has been disclosed as short-term liability. The loans were used to fund the municpality's infrastructure assets. Some of the loans are secured by the municipality's assets. See Note 3 for more information.		
ABSA Bank Loans	1,086,601	1,376,638
The loan was used to finance the renovation of one of the munucipality's buildings. The loan carry interest at a floating rate and is repayable over three years. The loan is secured by the building. See note 3 for more information.		
	21,214,086	**22,356,725**

Non-current liabilities		
At amortised cost	6,206,517	7,415,846
Current liabilities		
At amortised cost	15,007,569	14,940,879
	21,214,086	**22,356,725**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Finance lease obligation

Minimum lease payments due		
- within one year	1,319,985	118,576
- in second to fifth year inclusive	6,495,001	-
	7,814,986	118,576
less: future finance charges	(2,091,565)	(3,120)
Present value of minimum lease payments	**5,723,421**	**115,456**
Present value of minimum lease payments due		
- within one year	936,025	115,413
- in second to fifth year inclusive	4,787,399	-
	5,723,424	**115,413**
Non-current liabilities	3,971,038	-
Current liabilities	1,752,383	115,456
	5,723,421	**115,456**

It is municipality policy to lease certain motor vehicles and equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3-5 years and the average effective borrowing rate was 10% (2010: 10%).

Interest rates are fixed at the contract date while some increase by a fixed margin. Motor vehicle leases have fixed repayments and no arrangements have been entered into for contingent rent whilst furniture leases have a variable interest rate. The repayments increase by an average of 10% per year over the three year period.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

19. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Arts, sports & Culture (Utlwanang Library)	4,000,000	4,000,000
Municipal Infrastructure Grant	-	1,881,911
Integrated National Electricity Programme	141,887	407,169
Special Project Grant	1,195,596	-
	5,337,483	**6,289,080**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

19. Unspent conditional grants (continued)

Movement during the year

	2011	2010
Balance at the beginning of the year	6,289,080	1,613,547
Additions during the year	10,984,000	17,425,000
Income recognition during the year	(11,935,597)	(12,749,467)
	5,337,483	**6,289,080**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Utilised during the year	Total
Environmental rehabilitation	240,000	-	240,000
Crockery Town Hall	10,569	-	10,569
Leave Provision	2,339,408	566,806	2,906,214
	2,589,977	**566,806**	**3,156,783**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Prior Year Corrections	Total
Environmental rehabilitation	212,926	27,074	-	-	240,000
Crockery Town Hall	11,828	-	(1,259)	-	10,569
Leave pay provision	3,513,038	1,055,049	(147,030)	(2,081,649)	2,339,408
	3,737,792	**1,082,123**	**(148,289)**	**(2,081,649)**	**2,589,977**

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is supposed to rehabilitate such land upon closure of the dumping site. An estimate has been made for this amount. This amount is provisional as work to is underway to determine the exact nature and status of the sites.

Transitional provisions

Provisions recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , provisions can be recognised at provisional amounts. As at 30 June 2011, Environmental Rehabilitation provisions was recognised at provisional amounts. These may change as the estimate is finalised.

21. Trade and other payables

	2011	2010
Trade payables	97,740,368	67,788,408
Payments received in advanced	2,216,126	3,975,229
Unknown Deposits	5,318,958	5,076,696
Other payables	2,817,821	1,725,447
	108,093,273	**78,565,780**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. VAT payable

Tax refunds payables	8,250,774	8,026,589

VAT is payable on a receipt basis. Only once money is received from debtors and payments made to suppliers who are registered vendors is VAT paid over to SARS.

23. Consumer deposits

Rates	947,989	948,655

24. Revenue

Property rates	7,051,238	6,237,049
Service charges	72,755,019	57,187,992
Rental of facilities & equipment	294,415	354,072
Licences and permits - Quarry	2,330,730	6,291,735
Licences and permits - Quarry	3,600	2,090,533
Government grants & subsidies	33,960,226	30,799,519
	116,395,228	**102,960,900**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	72,755,019	57,187,992
Rental of facilities & equipment	294,415	354,072
Licences and permits	3,600	2,090,533
	73,053,034	**59,632,597**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	7,051,238	6,237,049
Fines	2,330,730	6,291,735
Transfer revenue		
Levies	33,960,226	30,799,519
	43,342,194	**43,328,303**

25. Property rates

Rates received

All properties	7,051,238	6,237,049

Valuations

Residential	23,504,127	23,504,127

A general rate of 30cents (2010: 27cents) per rand value of land is applied to land values to determine assessment rates. No rebates are granted to any type of property or category of property owners.

Rates are levied on a monthly basis and Interest is levied on overdue amounts.

The new general valuation will be implemented on 01 July 2011.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

26. Service charges

Sale of electricity	33,717,827	26,763,809
Sale of water	17,970,906	13,897,384
Sewerage and sanitation charges	12,284,620	9,311,722
Refuse removal	8,781,666	7,215,077
	72,755,019	**57,187,992**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies

Equitable share	21,761,471	17,733,291
Finance Management Grant (FMG)	1,250,000	1,030,308
Municipal Infrastructure Grant (MIG)	8,879,911	9,381,089
Intergratated National Electricity Programme (INEP)	528,440	1,519,831
Special Projects Grant	790,404	-
Department of Sports and Culture	-	400,000
Municipal Systems Infrastructure Grant (MSIG)	750,000	735,000
	33,960,226	**30,799,519**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R120 (2010: R120), which is funded from the grant.

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	113,547
Current year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,250,000)	(1,113,547)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used for operational and capital purposes, which included payment of interns salaries and other budgetary reforms.

Department of Sports, Arts and Culture (Utlwanang Library)

Balance unspent at beginning of year	4,000,000	1,500,000
Current-year receipts	-	2,500,000
	4,000,000	**4,000,000**

Conditions still to be met - remain liabilities (see note 19).

The grant was provided for the sole purpose of constructing a library in Ultlwanang. The library has, however, not yet been constructed. The consulting engineers have already been appointed to commence the construction process.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1,881,911	-
Current-year receipts	6,998,000	11,263,000
Conditions met - transferred to revenue	(8,879,911)	(9,381,089)
	-	**1,881,911**

Conditions still to be met - remain liabilities (see note 19).

The grant is used for the construction or resealing of road infrastructure within the municipal boundaries.

Intergrated National Electricity Programme (INEP)

Balance unspent at beginning of year	407,169	-
Current-year receipts	-	1,927,000
Conditiona met - transferred to revenue	(265,282)	(1,519,831)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

	141,887	**407,169**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to finance electricity related transactions or projects in the municipal areas.

Special Projects Grant

Current-year receipts	1,986,000	-
Conditions met - transferred to revenue	(790,404)	-
	1,195,596	**-**

Conditions still to be met - remain liabilities (see note 19).

This relates to funds provided for by the The Department of Co-operative Gorvenance and Traditional Affairs (CoGTA) for the cleaning of the municipal surroundings.

Department of Sport, Arts and Culture

Current-year receipts	400,000	-
Conditions met - transferred to revenue	(400,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was received from the district municipality as part of their contribution towards the running of the libraries i.e to cover opertaional costs.

Municipal Systems Improvement Grant (MSIG)

Current year receipts	750,000	735,000
Conditions met -transfered to revenue	(750,000)	(735,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was meant for system and policy related projects.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

28. Other revenue

Vehicle Monies - Direct	2,350,212	-
Irrigation Fees	586,344	575,936
Commissions received	85,527	75,502
Interest received	77,467	48,638
Interest on Debtors	11,291,434	8,803,794
Sundry	585,782	1,298,141
Other income	4,197,731	-
	19,174,497	**10,802,011**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

29. General expenses

Advertising	74,781	47,981
Auditors remuneration	1,167,168	1,132,647
Bank charges	177,893	166,201
Computer expenses	3,060	25,919
Consulting and professional fees	3,749,419	1,213,589
Consumables	4,554	41,233
Debt collection	2,768	-
Delivery expenses	12,281	-
Entertainment	129,457	76,752
Insurance related costs	815,187	872,581
Community development and training	5,700	32,400
Grant related expenditure	-	4,367,444
Lease rentals on operating lease	1,411	1,459,915
Magazines, books and periodicals	1,858	764
Motor vehicle expenses	1,051,327	1,005,678
Pest control	-	12,919
Licencing	100,512	117,241
Postage and courier	312,379	142,737
Printing and stationery	292,555	416,535
Promotions	8,378	9,581
Protective clothing	98,285	114,634
Indigent subsidy	5,677,345	3,026,459
Subscriptions and membership fees	244,927	216,906
Telephone and fax	747,704	910,142
Training	3,210	38,953
Subsistence & Travel	719,953	774,045
Tourism development	2,398,452	201,717
Stock loss	-	560
Land surveyor	-	149,856
Strategic Planning workshop	3,500	6,758
Stores and material	20,836	29,558
Chemicals	2,451,187	1,915,035
Municipal charges	1,163,918	-
Other expenses	3,921,399	1,393,868
	25,361,404	**19,920,608**

30. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	-	1,297,929
Equipment		
• Contractual amounts	-	160,653
Lease rentals on operating lease - Other		
• Contractual amounts	1,411	1,333
	1,411	**1,459,915**

Amortisation on intangible assets	8,399	-
Depreciation on property, plant and equipment	7,219,567	10,499,794
Employee costs	44,167,449	37,574,543
Amount expensed in respect of retirement benefit plans:	6,018,938	5,569,483
Defined contribution funds	3,846,531	3,607,691
Defined benefit funds	2,172,407	1,961,792

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

31. Employee related costs

Basic	18,132,514	16,640,988
Medical aid - company contributions	1,460,003	1,353,677
UIF	207,501	186,097
Leave pay provision charge	1,412,976	1,417,295
Post-employment benefits - Pension (Defined contribution plan)	3,846,531	3,607,691
Overtime	3,144,727	808,984
Current Service Costs	1,263,000	1,158,500
Car allowance	1,202,900	868,133
Housing benefits and allowances	149,464	122,494
Transitional Provision - Post Retirement Benefits	4,992,500	4,992,500
Other	25,520	32,211
Telephone Allowances	76,964	51,669
Cash in lieu of leave	629,636	301,272
Acturial (gains)/losses	(33,093)	(75,208)
Interest Cost - Post Retirement Benefit	2,457,000	2,217,000
	38,968,143	**33,683,303**

Remuneration of Municipal Manager

Annual Remuneration	443,097	419,605
Travelling Allowance	79,446	122,615
Car/Vehicle Allowance	164,965	-
Telephone/Cellphone Allowance	18,000	-
Other	152,145	118,826
	857,653	**661,046**

Remuneration of Chief Finance Officer

Annual Remuneration	561,789	451,123
Housing Allowance	28,404	23,904
Travelling Allowances	41,919	90,000
Telephone/Cellphone Allowance	14,400	-
Car/Vehicle Allowance	90,000	-
Other	136,141	26,142
	872,653	**591,169**

Remuneration of Corporate Services Director

Annual Remuneration	375,375	-
Housing Allowance	39,996	-
Travelling Allowance	51,250	-
Car/Vehicle Allowance	134,131	-
Telephone/Cellphone Allowance	13,200	-
Acting Allowance	-	266,629
Other	48,649	-
	662,601	**266,629**

Remuneration of Technical Services Director

Acting Allowance	-	145,622

Remuneration of Community Services Director

Annual Remuneration	375,375	-

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
31. Employee related costs (continued)		
Car Allowance	174,127	-
Travelling Allowances	48,166	-
Telephone/Cellphone Allowance	13,200	-
Acting Allowance	-	110,079
Other	45,731	-
	656,599	**110,079**

32. Remuneration of councillors

	2011	2010
Mayor's allowance	355,741	1,537,089
Councillors allowances	1,237,970	-
Car/Vehicle Allowance	412,660	466,724
Telephone & Cellphone allowances	112,893	112,882
Travelling allowance	30,536	-
	2,149,800	**2,116,695**

In-kind benefits

The Executive Mayor is part-time. She is provided with an office and secretarial support at the cost of the Council.

33. Debt impairment

	2011	2010
Increase in provision for bad debts	65,223,055	49,078,645

34. Investment revenue

	2011	2010
Interest revenue		
Interest on Money Market Investments	52,973	37,474
Bank	24,494	11,164
	77,467	**48,638**

35. Depreciation and amortisation

	2011	2010
Property, plant and equipment	7,219,567	10,499,794
Intangible assets	8,399	-
	7,227,966	**10,499,794**

36. Finance costs

	2011	2010
Non-current borrowings	4,861,022	3,285,928
Bank	6,678	14,656
	4,867,700	**3,300,584**

37. Auditors' remuneration

	2011	2010
Fees	1,167,168	1,132,647

38. Contracted services

	2011	2010
Information Technology Services	-	1,586
Other Contractors	1,772,095	4,125,116
	1,772,095	**4,126,702**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

39. Bulk purchases

Electricity	27,296,501	21,452,642
Water	20,686,759	7,419,188
	47,983,260	**28,871,830**

40. Cash generated from operations

Deficit	(65,078,905)	(43,681,998)
Adjustments for:		
Depreciation and amortisation	7,227,966	10,499,794
Debt impairment	65,223,055	49,078,645
Penalty paid	7,989,000	-
Movements in provisions	566,806	933,834
Increase in Money Market Investments	-	72,231
Increase in Non-current Assets Held for Sale (Non-cash)	-	181,546
Changes in working capital:		
Inventories	(64,784)	(64,978)
Trade and other receivables	(42,558)	(557,866)
Other receivables from non-exchange transactions	(369,184)	-
Consumer debtors	(37,921,637)	(33,006,272)
Trade and other payables	29,527,493	13,286,713
VAT	224,185	(258,647)
Unspent conditional grants	(951,597)	7,454,580
Consumer deposits	(666)	(8,375)
Other Non-cash items	650,952	5,551,098
	6,980,126	**9,480,305**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1,098,750	9,109,224
Not yet contracted for but authorised by accounting officer		
• Property, plant and equipment	42,146,058	27,464,272

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, own funds, grants and subsidies and existing cash resources.

42. Contingencies

Balances from Attorney's Correspondences

(a) The municipality was taken to court by SAMWU and Phenominal Projects cc for the non-payment of employees' subscriptions to SAMWU and services rendered, respectively. The capital amounts are included in trade and other payables. However, there is a contingent liability relating to the legal fees that are likely to be incurred as a result of this. The amount cannot be determined at the moment.

(b) The municipality adopted IAS 19 (Employee Benefits for the first time in July 2009. The previous reporting framework did not require the recognition of Employee Benefits. As such no provision was made in the previous years. On first adoption, the municipality made an irrevocable choice to recognise the transitional liability over 5 years. As at 30 June 2011, R14,977,500 (2010: R19,970,000) of the transitional liability had not yet been recognised, As such the municipality has a contingent liability amounting to the unrecognised portion.

(c) The municipality lodged claims to recover its legal cost from the Former Mayor and the Bloemhof Taxpayers Association lawyers after the two parties withdrew their cases from the courts prior to finalisation. Based on the municipality's attorney's advice, the municipality's chances of recovering the money are relatively high.

(d) Some of the municipality's officials have leave days which are more than 48 days. In terms of the Basic Conditions of Employement, a municipal official can only accrue up to a maximum of 48 days. However, there may be reasons for the acrual of more than the prescribed limits. In such cases, on resignation/retirement etc some or all of such employees may be paid their excess leave days. In lieue of this, the municipality has a contingent liability relating to the excess leave days (days above the prescribed 48 days). As at 30 June 2011, the amount relating to the excess days was R565,880 (2010: R275,427)

Contingent liabilities - Environmental Act

In terms of the Environmental the municipality is responsible for a number of environmental related transactions that may take place in its durisdiction. This give rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financiallly and the number of occurance, if any are to ocuur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.

Contingent Liabilties - Post Retiement Medical Aid Benefits

The municipality provides post retirement medical aid benefits to employees who meets the criteria as per the funds' terms. As at year end, 114 were not members of the funds thus did not qualify for the benefit. However, should these employees join an approved medical scheme prior to their retirement, they would qualify for such benefits, upon retirement. The municipality estimated the number of employees who are currently not members of the fund but are likely to join prior to their retirement. Based managements estimate, 68 employees are likely to join. As a result of this, an obligation of R10,998,500 (2010: R9,484,000) was recognised to cater for the obligation likely to be setlled in relation to this. The municipality therefore has a contingent liability amounting to R10,998,500 (2010: R9,484,000). Refer to note 6, for more information.

43. Prior Period Errors & Change in Accounting Policies

A number of correction were made to the prior years' financial statements as a result of prior period errors and/or changes in the reporting framework (Changes in Accounting Policies). Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated. These corrections/changes resulted in the following adjustments:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

43. Prior Period Errors & Change in Accounting Policies (continued)

Statement of financial position

Government Grant Reserve	-	7,328,066
Donations & Public Contributions Reserve	466,667	-
Available for Sale Reserve	24,871	-
Provisions (Land Rehabilitation)	-	212,926
Post Retirement Medical Aid Benefit - Non-Current Liability	7,556,320	-
Post Retirement Medical Aid Benefit - Current Liability	734,200	-
Trade & Other Payables (TMT Balance)	-	99,729
Property, plant & equipment (Infrastructure Assets)	-	898,735
Property, Plant & Equipment (Loans Redeemed & Other Capital Receipts)	-	42,644,621
Inventory - Stands for Sale	-	659,000
Cash & Cash equivalents - (TMT Bank Account)	-	199,000
Trade and Other receivables	5,665,639	-
Accumulated Surplus	22,117,862	(28,831,034)
Other Interest Bearing Debt	(98,822)	-
Finance Lease Liability	98,823	-
Unspent Conditional Grants (INEP & Dr Ruth Mompati District Municipality)	(2,779,046)	-
VAT Payable	(8,026,589)	-
VAT Receivable	330,542	-
Property, Plant & Equipment - Landfill Sites	212,926	-
Accumulated depreciation - Other assets	4,829,310	-
Property, Plant & Equipment - Intangible Assets	2	-
Accumulated Depreciation - Landfill Sites	106,463	-
Consumer Debtors	13,930,761	-
Provision for Bad Debts	11,300,000	-
Money Market Instruments	(24,871)	-
Available for Sale Instruments	24,871	-
Staff Leave	2,243,809	-

Government Grant Reserve: The prior year figures of Loans Redeemed and Other Capital Receipts were restated so as to fully comply with GRAP Requirements. Transactions relating to assets funded by grants were recognised in realloacted to Government Grant Reserves. The amounts were adjusted retrospectivey.

Provision (Land Rehabilitation): The municpality has an obligation to rehabilitate its landfill sites as a the date of closure. Prior to the adoption of GRAP, this was not necessary. As such, the adoption of GRAP Reporting Framework neccissitated the recognition of such a provision.

Trade and Other Payables (TMT Balance) & Cash and Equivalents (TMT Bank Account): The prior year figures of the two elements of the financial statements restated as a result of the error relating to the transaction entered into by the municpality with a service provider for the management and administartion of traffic fines. In the previous years, the balances had been treated as Off Balance Sheet yet it is an on balance sheet transaction. The other component of the transaction is recognised in Fines (Lazer Speed Camera) in the Statement of Financial Position.

Property, Plant and Equipment: These balances were adjusted as a result of the adoption of the GRAP Reporting Framework and correction of prior year misallocations. The balance on the Loan Rdeemed and Other Capital Receipts was written off against Accumulated Surplus and written back to the cost of assets (as it represented depreciation in the previous reporting framework - IMFO)

Inventory (Stands for Sale): This was as a result of the Change in Accounting Policy in that the GRAP Reporting Framework requires stands for sale to be recognised as inventory rather than Property, Plant and Equipment.

Donations & Public Contributions: This relates to the district's contribution towards the purchase of two trucks (donation). The total donation was R500,000 and depreciation charge for the period was R33,333. The amount had been erroneously recognised as own funding.

Available for Sale Reserve: The prior year figure of accumulated surplus has been restated so as to correctly disclose the transaction relating to available for sale instruments (in terms of IAS 39)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

43. Prior Period Errors & Change in Accounting Policies (continued)

Post Retirement Medical Aid Benefit (Non-current & Current Liability): In the prior periods, the municipality did not perform a valuation exercise of its Post Retirement Medical Aid (PRMA) benefit. This was performed during the current year, covering the prior periods as well. Prior periods amounts have therefore been restated.

Other Interest Bearing Debt & Finance Lease Liability: These amounts were reclassified so as to show a better presentation of the transactions.

Unspent Conditional Grants & Revenue (Grants & Subsidies - INEP): (a) Dr Ruth Momphati District Municipality: An error occured in the prior period when capitalising assets. This resulted in R2,592,400 being erroneouslt recognised as Unspent Conditional Grant rather than part of accumulated surplus. **(b) Intergrated National Electricty Programme- INEP:** Prior year expenditure amounting to R186,645 was erroneously ommitted in the financial statements. This resulted in Grants & Subsidies being understaed by R186,645 and unspent conditional grants being overstated by the same amount.

VAT Payable & Consumer Debtors: In the prior period, consumer debtors were recognised net of VAT. This resulted in the understament of consumer debtors and VAT Payable by the same amount. The error has been corrected so as to show the correct balances of the accounts.

Property, Plant & Equipment: (a) Landfill sites (Cost, Depreciation and Accumulated Depreciation): When the municipality first recognised provision for landfill sites, the amount was erroneously expensed against accumulated surplus. As such no depreciation was charged, resulting in the understatement of PPE by R212,926, Depreciation expense and Accumulated depreciation by R106,463; **(b) Intangible Assets:** The municipality's intangible assets were erroneously ommitted in the financial statements. These have now been recognised at provisional amounts.

Provision for Bad Debts and Bad Debts: In the prior year, provision for bad debts was understated by R11,300,000. This was mainly due to incorrect calculation of the provision. The restatement has resulted in ancrease in both provision for bad debts and bad debts by the same amount.

Money Market Instruments and Available for Sale Instruments: These two prior year figures of have been reclassified so as to correctly classify the nature of the transaction.

Staff Leave: This was caused by the correction of prior year errors that were corrected as at the end of 30 June 2011.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

43. Prior Period Errors & Change in Accounting Policies (continued)

Statement of Financial Performance

Depreciation expense	106,463	-
Other Expenses	-	1,063,642
Amounts Charged In/Out - Expenses	-	(12,263,597)
Amounts Charged In/Out - Income	-	(12,263,597)
Licences & Permits	-	1,757,091
Miscellaneous Income (Donation)	-	500,000
Grant Related Expenditure (FMG)	-	(7,139,000)
Grant Related Income (MIG)	-	(81,260)
Fines (Lazer Speed Camera)	-	99,729
Sundry Income - Photostats, Subsidies, Vehicle Monies Direct & Sundries	-	(1,484,453)
Employee Costs	8,290,520	-
Bad Debts	11,300,000	-
Revenue - Grants & Subsidies (INEP)	186,646	-
Other Expenses	2,199,176	-

Depreciation Expense: See comment under Property, Plant & Equipment above (Statement of Financial Position).

Employee Costs: As mentioned above, actuarial valuations were performed during the current year. However, the transactions valuation results were adjusted in retrospective. This resulted in the recognition of the following amounts: (a) Interest Cost - R2,363,200; (b) Current Service Costs - R1,290,000; (c) Transitional Arrangements - R5,318,320 and (c) Actuarial gains - R85,208.

The following is the summarised changes in the Statement of Financial Position and Statement of Financial Performance. Description of the nature of changes in the Statement of Financial Performance for the comparative period are shown after the following summary.

Statement of Financial Position

Net Change in Current Assets	2,630,761	1,888,986
Net Change in Non-current Assets	106,465	43,040,475
Net Change in Current Liabilities	11,885,915	2,149,179
Net Change in Non-Current Liabilities	7,556,320	(422,436)
Net Change in Reserves	2,274,132	42,475,619
	24,453,593	**89,131,823**

State of Financial Performance

Net Change in Income	(186,645)	(3,699,273)
Net Change in Expenses	19,696,983	(11,629,383)
	19,510,338	**(15,328,656)**

Other Expenses: The prior year balances of other expenses were mistated as a result of the omission of some of the sundry income. This has been restated with the amount of the mistatement.

Amounts Charged In/Out (Income & Expenses): The change in accounting policy was neccessitated by the fact that under the GRAP Reporting Framework, the municipality is not permitted to recognise these transactions.

Licence & Permits, Grant Related Expenditure & Income and Sundry Income: The prior year figures of revenue classes have been restated to correctly classify the nature of revenue of the municipality. Most of the amounts had been missallocated in other revenue accounts or expenses. Regarding Grant Related Expenditure & Income, the amounts were recognised under Trust Funds.

Miscellenious Income (Donation): The prior year balance of assets has been restated as a result of a donation by the District Muncipality amounting to R500,000 which had been netted off against the asset cost.

44. Comparative figures

Certain comparative figures have been reclassified.

45. Risk management

Financial risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality’s borrowings at variable rate were denominated in the Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.This is managed using a number of measures such as restricting water flow at households and termination of services.

46. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated deficits of R(87,656,225) [2010: (R20,221,204)], its total liabilities exceed its assets by R(77,677,397) [2010: (R13,318,577)], recorded a deficit of R65,078,905 (2010: R43,681,998) during the current year, bad debts increased to R65,223,055 (2010: R49,078,645) as the collection rate for municipal services rendered averages 44% of the current period billings and the municipality has been experiencing significant cashflow challenges. This lead to a number of significant negative effects like incurring interest on some of the overdue accounts and non-payment or late payment of obligations when they fall due.

The foregoing situation poses a greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of business.

In order to mitigate these negative effects, the municipality is in the process of implementing the following measures, some of which the work has commenced:

- Appointed consultants to perform Revenue Enhancement Strategies and Installation of Pre-paid Automatic Meter Reading, whose results are expected to yield positive results. The consultant have already commenced their work. Further, the appointment of Debt Collectors during the ensuing financial period will further enhance the municipality's mitigating measures regarding these going concern chalenges.
- Implementing cost reflective prices and cost cutting measures.;
- Implementation of the new valuation roll from the 1st of July 2011. This will greatly improve the municipality's income stream as property rates will be levied on market values.
- Recognition of the municipality's Investment Properties at the current market values based on the new valuation roll in the ensuing financial period. This will greatly improve the balance as these assets are recognised at normal/historical amounts, some of which were determined more than 15 years ago.
- Unbundling and valuation of infrastructure in the ensuing financial period.
- Continued support from National Treasury and other governement departments (national or provincial) as the municipality is a public entity. This will be further copuled by the MISA Programme, which has already commenced.

47. Events after the reporting date

The municipality's Chief Finance Officer, Community Service Director and Corporate Service Director were suspended during the month of December 2011. Disciplinary processes are in progress.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

47. Events after the reporting date (continued)

The Municipality's Council approved a number of transactions for write-off during the council meeting held on 2 May 2012.

48. Unauthorised expenditure

Total Unauthorised Expenditure	77,788,953	-
Approved/Condoned by Council	(77,788,953)	-
	-	**-**

The unauthorised expenditure (as detailed in note 54) was condoned/approved by Council during the meeting held on 2 May 2012.

49. Fruitless and wasteful expenditure

Interest on arrears	2,243,234	8,474,574
Interest on late payment	469,931	618,605
Amount condoned by Council	(2,713,165)	(6,498,856)
	-	**2,594,323**

Interest on Arrears: The municipality has not been servicing its debt with DBSA. As a result of this, DBSA has been charging interest on arrears (at the prevailing interest rates). The amount in arrears (both capital and interest) has been disclosed as current liabilities. Negotiations are in progress with the lender to restructure the loan and other key loan terms. The negotiations should be completed in the near future.

Interest on Late Payment: This relates to interest charged on late payments of VAT to SARS and other creditors. Measures are in place to avoid these charges in future.

All of the foregoing were caused by the cashflows challenges the municipality is currently facing (see Going Concern Note). These amounts were approved for write-off by Council on 2 May 2012 and the amounts have been, as such, been included in General Expenses.

50. Irregular expenditure

Opening balance	3,771,965	-
Add: Irregular Expenditure - current year	468,380	3,771,965
Less: Amounts condoned (Council meeting - 2 May 2012)	(4,240,345)	-
	-	**3,771,965**

<u>Analysis of expenditure awaiting condonation per age classification</u>

Current year	468,380	3,771,965
Prior years	3,771,965	-
	4,240,345	**3,771,965**

<u>Details of irregular expenditure – current year</u>

	Disciplinary steps taken/criminal proceedings	
Dealing with companies that have been deregistered with the Registrar of Companies	No disciplinary measures have been taken. The transactions have been presented to Council for condonement.	468,380

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

51. Write-off of Service Charges by a Senior Official

During the current and previous financial priods, the Chief Financial Officer (who is currently on suspension) authorised a write-off of services charges relating to his municipal account as well as one of the former councillor (prior to the councillor leaving office) without the necessary Council approval. A forensic investigation was instituted by the municipality. Based on the report from the forensic investigators, the total amount the CFO authorised for write-off relating to his account amounted to R5 975.22 whilst the one he authorised for write-off relating to the former councillor amounted to R5 330.86.

Upon completion and finalisation of the investigations, the report will be submited to Council to deliberate on it and make a decision on the way forward. In the meantime, management is in the process of enhancing the internal control systems relating to this and other areas so as to avoid such events recurring.

52. Additional disclosure in terms of Municipal Finance Management Act

Distribution losses

Electricity	17,557,170	16,923,270

Distribution losses relates to unaccounted for electricity. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 33% (2010: 32%) of the electricity purchases for the year, has been included in bulk purchases. Whilst this is not a desirable feature, the level of the distribution losses are well within the acceptable norms.

The distribution losses for water could not be computed due to the following reasons: (a) there are no bulky purchase meters between the some of the municipality's reservoirs and the main sources of water (dams and rivers). As such, the department uses estimates to compute the municipality's purchases. (b) some of the meters that the department use to determine the municipality's purchases are faulty. Management is of the view that computing water losses in such cases may not be appropriate as it may be misleading.

Audit fees

Opening balance	3,438,915	2,844,044
Current year fees	1,357,172	1,269,714
Interest on Late Payment	68,781	1,126
Amount paid	-	(675,969)
	4,864,868	**3,438,915**

PAYE and UIF

Opening balance	2,724,744	665,209
Current year deductions	-	3,174,396
Amount paid	-	(1,114,861)
	2,724,744	**2,724,744**

Pension and Medical Aid Deductions

Opening balance	1,488,131	2,546,098
Current year deductions	5,963,558	5,093,688
Amount paid - current year	-	(6,151,647)
	7,451,689	**1,488,139**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

	2011	2010
VAT payable	8,250,774	8,026,589

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor. R. M Makodi (Mayor)	519	-	519
Councillor. K. L. Modise (Former Mayor)	4,860	39,234	44,094
Councillor M. P. Letebele (up to 17 May 2011)	867	8,099	8,966
Councillor K. L. Duiker (up to 17 May 2011)	1,083	6,666	7,749
Councillor K. J. Bojong (up 17 May 2011)	1,392	21,196	22,588
Councillor A. Buys (Retained)	9,840	5,770	15,610
Councillor G. Pencil (Retained)	989	7,858	8,847
Councillor W. B. Percival (Up to 17 May 2011)	6,682	12,481	19,163
Councillor K M Segalo	2,600	-	2,600
Councillor D J Muller (Retained)	1,756	-	1,756
Councillor F. Moleta (18 May 2011)	1,262	15,459	16,721
Councillor A. N. Ngesi (18 May 2011)	2,949	24,026	26,975
Councillor J. Segola (18 May 2011)	1,264	20,279	21,543
Councillor J. Joseph (18 May 2011)	1,306	20,977	22,283
Councillor M. Majikela (18 May 2011)	1,157	21,086	22,243
Councillor P. Modise (18 May 2011)	1,069	16,982	18,051
Councillor K. Palagangwe (18 May 2011)	5,628	29,217	34,845
Councillor T. Mokgosi (18 May 2011)	1,051	13,838	14,889
Councillor Y. A. Moolla (18 May 2011)	1,543	19,725	21,268
Councillo I. Mabala (Retained)	3,973	3,494	7,467
	51,790	**286,387**	**338,177**

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor K. L. Modise (Former Mayor)	5,598	27,298	32,896
Councillor I. Mabala	970	1,973	2,943
Councillor R. M. Makodi (Mayor)	735	1,682	2,417
Councillor M. P. Letebele	822	9,415	10,237
Councillor K. L. Duiker	997	7,810	8,807
Councillor K. J. Bojong	1,042	18,201	19,243
Councillor A. Buys	11,926	39,600	51,526
Councillor G. Pencil	1,890	21,108	22,998
Councillor W. B. Percival	1,931	-	1,931
Councillor K. M. Segalo	3,309	-	3,309
Councillor D. J. Muller	1,769	-	1,769
	30,989	**127,087**	**158,076**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	21,214,086	22,356,725
Used to finance property, plant and equipment	(21,214,086)	(22,356,725)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Due to the municipality's cashflow challenges, no cash has been set aside to repay long-term liabilities.

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	7,095,000	7,095,000	7,095,000	7,051,238		43,762	99 %	99 %
Service charges	67,343,000	65,221,776	65,221,776	72,755,019		(7,533,243)	112 %	108 %
Investment revenue	70,000	70,000	70,000	77,467		(7,467)	111 %	111 %
Grants and subsidies	61,374,000	32,597,800	32,597,800	33,960,226		(1,362,426)	104 %	55 %
Other own revenue	60,761,000	67,392,873	67,392,873	21,725,775		45,667,098	32 %	36 %
Total revenue (excluding capital transfers and contributions)	**196,643,000**	**172,377,449**	**172,377,449**	**135,569,725**		**36,807,724**	**79 %**	**69 %**
Employee costs	(42,164,000)	(42,164,376)	(42,164,376)	(42,017,649)	-	(146,727)	100 %	100 %
Remuneration of councillors	(2,495,000)	(2,495,209)	(2,495,209)	(2,149,800)	-	(345,409)	86 %	86 %
Debt impairment	(6,200,000)	(6,200,672)	(6,200,672)	(65,223,055)	59,022,383	59,022,383	1,052 %	1,052 %
Depreciation and asset impairment	(1,150,000)	(1,150,297)	(1,150,297)	(7,227,966)	6,077,669	6,077,669	628 %	629 %
Finance charges	(3,339,000)	(3,339,002)	(3,339,002)	(4,867,700)	1,528,698	1,528,698	146 %	146 %
Materials and bulk purchases	(31,600,000)	(36,823,057)	(36,823,057)	(47,983,260)	11,160,203	11,160,203	130 %	152 %
Other expenditure	(67,222,000)	(66,031,560)	(66,031,560)	(31,179,200)	-	(34,852,360)	47 %	46 %
Total expenditure	**(154,170,000)**	**(158,204,173)**	**(158,204,173)**	**(200,648,630)**	**77,788,953**	**42,444,457**	**127 %**	**130 %**
Surplus/(Deficit) for the year	**42,473,000**	**14,173,276**	**14,173,276**	**(65,078,905)**		**79,252,181**	**(459)%**	**(153)%**

Notes to the Annual Financial Statements

Figures in Rand

54. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Refer to note for narrative reasons for variances.